

Why are budgets advertised higher than final values?

Budgets can only be approved at or below the advertised levels. If changes occur after budget advertisement, the budget cannot be increased to meet those changes. The Department of Local Government Finance (DLGF) and possibly a town, township or county fiscal body (if operating property tax levy increase is greater than 5% of the current year) that review and approve the budget after advertised hearings only have the authority to either approve the budget as advertised, or to reduce the budget.

Then the question becomes, why can't the budget be advertised with exact numbers to be used in the next budget cycle? The explanation is due to the State authorized budget cycle itself. The advertised budget is for the calendar year (January 1 – December 31). However, the budget is funded on an eighteen (18) month cycle, July 1-December 31 of the current year and the next calendar year. The factors used to determine the revenue for the budget adds to the need to estimate high. The primary factors are assessed value and miscellaneous tax revenues. Those critical numbers are sometimes not known during budget design or when the budget is approved for advertising. Many times the assessed values are not provided by the County until after advertising deadlines. Therefore, estimates are used and those estimates of revenue and expenditures must be higher than expected final numbers to protect the Public Library in case the estimates are not perfectly on target. Failure to advertise sufficiently high to capture a growth factor, annexation, or a math error could result in major funding issues for next year's budget.

The distribution of the types of assessed values results in most of the increased tax burdens being paid by local residents. A large portion of the total assessed value is on residential property. The remaining assessed values are divided between commercial, industrial and farm properties. As communities continue to develop and grow, new tax generating commercial and industrial projects should help lower the property tax impact on the homeowners.

While it would seem that budgeting should be an "exact science", it is difficult to practice such exactness when budget development assumptions are formed on the basis of so many estimates. However, once the numbers are final, the budget is managed within the limits of approved appropriations with a close eye on revenue projections. Revenues, even when the budget is finally approved, can vary greatly as the year progresses.

Public Libraries must remain flexible and ready to meet the needs of their communities. The budget cycle will still dictate higher estimates to keep the budget safe from unexpected changes.